

# Understanding Economic Indicators



Version 1.2

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# What we discuss will today...

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**Basic Economic Indicators**

**Main Stock Market Indices**

**Basic Economic Concepts**

**Basic Economic Policies**

**Application to Market Wrap up & QFR**

**Risk & Return Measurement**

# Basic Economic Indicators

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- **GDP**
- **Inflation Rate – CPI, PPI**
- **Interest Rates – KLIBOR, Average BLR, FD (12 months)**
- **Unemployment**
- **Currency (RM vs USD)**
- **Money**

**(refer definition of economic indicators)**

# Main Stock Market Indices

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- **KLCI, KLSI, MESDAQ**
- **FTSE Bursa Malaysia**
  - large 30
  - mid 70
  - 100
  - Emas = 100 + Small Cap
  - Small Cap
  - Emas Syariah (no liquidity screening)
  - Second Board (no liquidity screening)
  - MESDAQ (no liquidity screening)

# Main Stock Market Indices

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## □ KLCI

$$\frac{\text{Current aggregate mkt capitalisation}}{\text{Base aggregate mkt capitalisation}} \times 100$$

- 100 largest stocks
- weighted
- base year 1977

(KLSI & MESDAQ retired in Nov'2007 – ref FTSE-BM Hijrah and FTSE-BM MESDAQ Indices))

# Main Stock Market Indices

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## □ FTSE Bursa Malaysia

measure performance main capital segments in Malaysia, subject to meeting FTSE's international standards of free float, liquidity and eligibility

- **largest 30 Index**

- **mid 70 Index**

- **100 Index (= largest 30 + mid 70)**

# Main Stock Market Indices

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## □ Hijrah Shariah Index

30 largest FBM Emas Index; subject meeting FTSE standard, Yasar international Syariah methodology, Msia's SC Syariah Council methodology)

# Main Stock Market Indices

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## □ Benchmark Indices

### - Emas

100 Index + Small Cap Index

### - Emas Shariah

Emas Index which is Syariah compliant  
(SC SAC methodology & FTSE liquidity standard)

### - Small Cap Index

top 98% main board excl 100 Index

### - Fledging Index

remaining 2% main board, small, no liquidity screening

# Main Stock Market Indices

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## □ Benchmark Indices

### - FTSE-BM Second Board

all second board, no liquidity screening

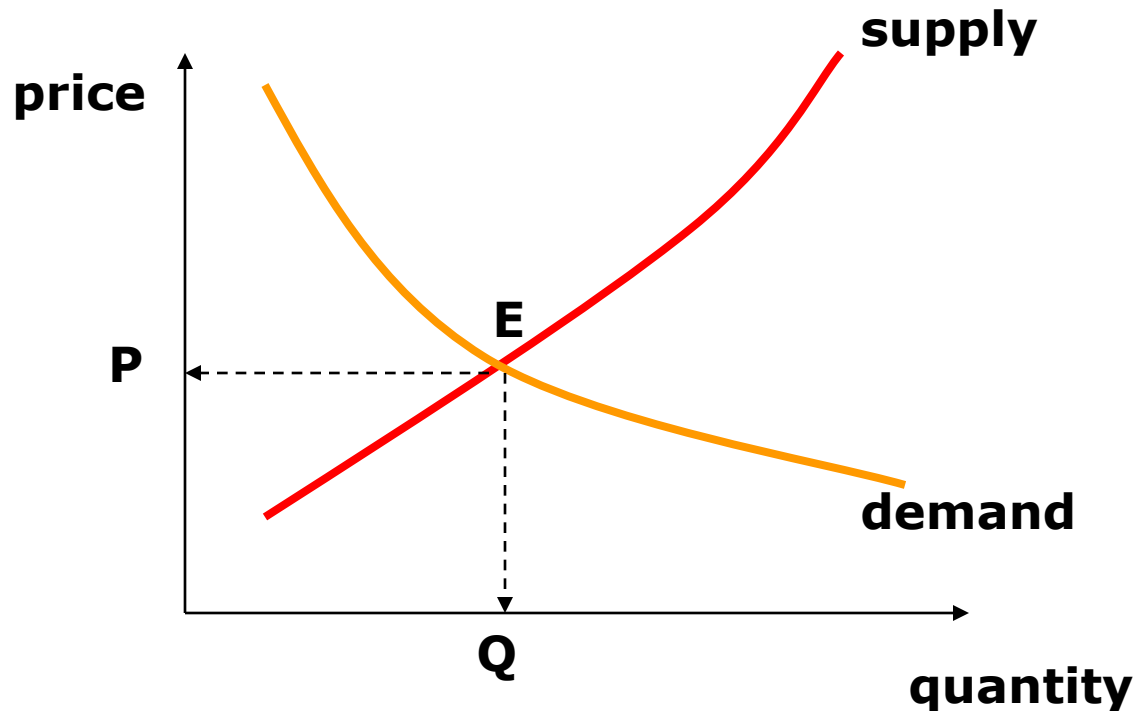
### - FTSE-BM MESDAQ

all listed on MESDAQ, no liquidity screening

# Basic Economic Concepts

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- supply, demand
- price, quantity



# Basic Economic Policies

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- **Monetary Policy – interest rate & money supply**
- **Fiscal Policy – government expenditure & revenue (tax collection)**
- **Balance of payments & exchange rate policy**

# Application

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- **Market Wrap up**
- **Quarterly Funds Review**

**(where to get them ?)**

# Return & Risk Measurement

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**Different formulas and time factor involved.**

- **Total Return**
- **Annual Return**
- **Annual Average Return**

**Risk Measurement**

- **Beta**
- **R-Squared**
- **Standard Deviation**

# Return Measurement

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## □ Total Return

*1 year Total Return*

$$\text{Total Return} = (\text{Capital rate} \times \text{Income rate}) - 1 \times 100$$

Capital rate = price change for the period

Income rate = (gross distribution / EX-NAV) + 1

# Return Measurement

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## □ Annual Return

*1 Year Annualised Return*

$$\text{Annualised Return} = ((1 + \text{TR})^{(t/n)}) - 1$$

TR = Total Return

t = one year period based on no. days (365 days)

n = no. of period based on no. of days

## □ Annual Average Return

Annual Return over a period of several years, usually at least 3 years data available

# Risk Measurement

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## □ **Beta**

Measure fund's sensitivity to market

## □ **R-squared**

historical measurement of how closely fund's past fluctuations correlate to its benchmark index

## □ **Standard Deviation**

statistical measurement of range of fund's performance